Washington Times
June 13, 2005

CAFTA Battlements
By Donald Lambro

Free trade has been under increasing attack in recent years, though it has been a driving force behind the global economy's robust growth in the last several decades.
This is the paradox in the fierce debate over the U.S.-Central American-Dominican Republic Free Trade Agreement (also called CAFTA-DR, or just CAFTA) on Capitol Hill.

The battle is between those who believe free market capitalism is the greatest force for prosperity and upward mobility, and those forces of government protectionism, quotas and taxes who believe in the power of the state to manage, restrict, control and prevent exchange of goods and services between free people.

It's a fight that has been fought and refought, but the global economy story of the last few decades is that free trade has been winning, and the anti-free-traders have been losing.
Free traders arguejust about everybody benefits when government-imposed obstacles to trade are lifted. Free-trade opponents -- labor unions, environmentalists and corporate special interests who fear all competition -- argue such agreements will kill jobs and undermine our economy.

But throughout the 1990s we granted China "Most Favored Nation" trade status, passed Ronald Reagan's North American Free Trade Agreement (NAFTA), approved China's entry into the World Trade Organization and belatedly reauthorized Trade Promotion Authority to allow President Bush to seek new free-trade deals.

Our economy was not hurt by these agreements -- it was strengthened. Unemployment plunged in the '90s to less than 4 percent, while economic growth soared. In the fifth year of this decade, unemployment is down to a low 5.1 percent and the economy is growing 3½ percent annually.

Exports soared as well, hitting a recordbreaking $1 trillion last year, a figure that will likely be surpassed this year, too.

Now Mr. Bush is asking Congress to approve CAFTA, a tariff-lowering free trade agreement with our neighbors to the south: Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and the Dominican Republic.

Once again, free-trade opponents warn all sorts of terrible things will befall our country if we open up free trade with Central America. In fact, both sides have everything to gain.
Critics say increased trade with these impoverished countries can't possibly benefit us. Actually, these six countries have become the 10th-largest market in the world for U.S. goods, buying more from us than India, Indonesia and Russia combined.

A new study by the Competitive Enterprise Institute, a Washington-based think tank that promotes free trade, puts it this way: "If policymakers look past the heated rhetoric and focus on reality, they will conclude that the trade agreement has more positives than negatives for American producers, workers and consumers and for the people of the CAFTA-DR countries.

"American producers would gain significantly greater market access for their exports, including farm exports, because of widespread elimination and lowering of tariffs. Further, since those countries already export the majority of their goods to the U.S. duty-free, the trade agreement creates a better balance for the U.S."

There is another, less-acknowledged benefit to this deal, and it has to do with immigration. The increased flow of Central American immigrants into the United States, legal or illegal, is driven by the lack of jobs in their countries.

The most effective program to stay the flow of illegal aliens into the United States is to have thriving job-producing economies south of the border. "More open trade with the U.S. would spur greater economic growth and improve incomes and employment opportunities in the CAFTA-DR countries," says the CEI study.

But CAFTA is a two-way deal. The American Farm Bureau Federation says U.S. agricultural exports would rise $1.5 billion a year. Increased U.S. exports would create more jobs here, too. A study of a dozen states by the U.S. Chamber of Commerce said CAFTA will create 25,000 net new jobs in the first year of the trade pact and 130,000 jobs over 10 years.

This is not a perfect agreement by any means. There are far too many lengthy phaseouts of U.S. import quotas and tariffs on "sensitive products." It also contains costly environmental and labor provisions, standards that may undercut future growth in the short-term.

"The regulatory costs of imposing rich countries' standards on developing countries can act as nontariff trade barriers that threaten the positive benefits or more open trade," says CEI.

But the benefits of this trade agreement far outweigh these drawbacks.
There is another argument for this agreement, especially as it relates to the world's poorer and developing countries.

Without exception, the nations that have freest economies, the most open trade policies and encourage foreign investment are the most prosperous. Countries with the most restrictive trade policies are the poorest.

There's a lesson in there somewhere for the protectionists to ponder.

Donald Lambro, chief political correspondent of The Washington Times, is a nationally syndicated columnist.